C CHENG HOLDINGS LIMITED
思城控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016, the financial results of the Group were as follows:

– Revenue of the Group was HK$358,944,000 (2015: HK$354,799,000), representing an increase of 1.2% from the previous year;

– The profit for the year was HK$20,266,000, as compared to HK$27,089,000 in the previous year, representing a decrease of 25.2% from the previous year;

– Basic earnings per share for the year based on weighted average number of ordinary shares of approximately 194,095,000 (2015: 181,396,000) in issue was HK10.7 cents (2015: HK15.3 cents);

– Diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 197,965,000 (2015: 187,888,000) in issue was HK10.5 cents (2015: HK14.7 cents); and

– Final dividend of HK3.0 cents per share was proposed for the year.

ANNUAL RESULTS

The board of Directors of the Company (the "**Board**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	*3*	**358,944**	354,799
Cost of services		**(257,418)**	(255,359)
Gross profit		**101,526**	99,440
Other income	*4*	**298**	678
Other gains and losses	*5*	**(6,044)**	(282)
Administrative expenses		**(69,426)**	(63,032)
Transfer of listing expenses		**–**	(1,785)
Finance costs	*6*	**(32)**	(99)
Profit before taxation	*7*	**26,322**	34,920
Income tax expense	*8*	**(6,056)**	(7,831)
Profit for the year		**20,266**	27,089
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(6,082)**	(2,659)
Reclassification adjustment upon disposal of a subsidiary		**(497)**	–
Other comprehensive expense for the year		**(6,579)**	(2,659)
Total comprehensive income for the year		**13,687**	24,430
Profit (loss) for the year attributable to:			
Owners of the Company		**20,745**	27,666
Non-controlling interests		**(479)**	(577)
		20,266	27,089
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**14,196**	25,022
Non-controlling interests		**(509)**	(592)
		13,687	24,430
Earnings per share (expressed in HK cents)	*9*		
Basic		**10.7**	15.3
Diluted		**10.5**	14.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**11,661**	17,959
Goodwill		**20,897**	21,196
Intangible assets		**1,336**	1,592
Rental and utility deposits		**5,393**	5,720
Deferred tax assets		**1,496**	390
		40,783	46,857
Current assets			
Held for trading investments	*12*	**–**	757
Amounts due from customers for contract work		**143,001**	146,164
Progress billings receivable from contract customers	*13*	**100,815**	105,523
Prepayments and other receivables		**5,428**	3,091
Pledged bank deposits		**–**	2,546
Bank balances and cash		**83,104**	58,116
		332,348	316,197
Current liabilities			
Trade payables	*14*	**3,481**	3,567
Accruals and other payables		**72,072**	55,254
Amounts due to customers for contract work		**89,394**	114,901
Obligations under finance leases	*15*	**306**	370
Income tax payable		**6,811**	5,606
		172,064	179,698
Net current assets		**160,284**	136,499
Total assets less current liabilities		**201,067**	183,356
Non-current liabilities			
Obligations under finance leases	*15*	**–**	306
Deferred tax liabilities		**2,081**	2,719
		2,081	3,025
Net assets		**198,986**	180,331
Capital and reserves			
Issued capital	*16*	**1,962**	1,936
Reserves		**197,304**	178,744
Equity attributable to owners of the Company		**199,266**	180,680
Non-controlling interests		**(280)**	(349)
Total equity		**198,986**	180,331

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Issued capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000* *(Note a)*	Share option reserve *HK$'000*	Other reserve *HK$'000* *(Note c)*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015	1,800	83,682	3,331	1,412	(47,070)	6,786	80,598	130,539	(350)	130,189
Profit (loss) for the year	–	–	–	–	–	–	27,666	27,666	(577)	27,089
Exchange differences arising on translation	–	–	–	–	–	(2,644)	–	(2,644)	(15)	(2,659)
Total comprehensive income (expense) for the year	–	–	–	–	–	(2,644)	27,666	25,022	(592)	24,430
Transfer to statutory reserve	–	–	1,082	–	–	–	(1,082)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	2,225	–	–	–	2,225	–	2,225
Exercise of share options	46	4,799	–	(1,031)	–	–	–	3,814	–	3,814
Forfeiture of share options	–	–	–	(183)	–	–	183	–	–	–
Consideration Shares issued for acquisition of Cfu Come *(Note b)*	90	18,990	–	–	–	–	–	19,080	593	19,673
At 31 December 2015	1,936	107,471	4,413	2,423	(47,070)	4,142	107,365	180,680	(349)	180,331
Profit (loss) for the year	–	–	–	–	–	–	20,745	20,745	(479)	20,266
Exchange differences arising on translation	–	–	–	–	–	(6,052)	–	(6,052)	(30)	(6,082)
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	(497)	–	(497)	–	(497)
Total comprehensive income (expense) for the year	–	–	–	–	–	(6,549)	20,745	14,196	(509)	13,687
Transfer upon disposal of a subsidiary	–	–	(2,165)	–	–	–	2,165	–	–	–
Recognition of equity-settled share-based payments	–	–	–	4,055	–	–	–	4,055	383	4,438
Exercise of share options	26	4,753	–	(562)	–	–	–	4,217	–	4,217
Forfeiture of share options	–	–	–	(59)	–	–	59	–	–	–
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	195	195
Dividend paid	–	–	–	–	–	–	(3,882)	(3,882)	–	(3,882)
At 31 December 2016	1,962	112,224	2,248	5,857	(47,070)	(2,407)	126,452	199,266	(280)	198,986

Note a: The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "**PRC**") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis is decided by their respective boards of directors annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

Note b: On 11 November 2015, the Company acquired 80.5% of the issued share capital of Cfu Come Limited ("**Cfu Come**"), which was satisfied in full by the allotment and issue of 9,000,000 shares of the Company ("**Consideration Shares**"). The fair value of the consideration determined using the published price available at the date of the acquisition amounted to HK$19,080,000. After the acquisition, Cfu Come became a non-wholly owned subsidiary of the Company.

Note c: The balance mainly represents a HK$53,519,000 debit reserve resulting from the Share Swap pursuant to the group reorganisation (details refer to note 29 to the consolidated financial statements in the annual report for the year ended 31 December 2013) and a HK$5,210,000 credit reserve resulting from recognition of equity-settled share-based payments to Mr. Wang Jun You ("**Mr. Wang**") (details refer to note d of the consolidated statement of changes in equity in the consolidated financial statements in the annual report for the year ended 31 December 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated on 13 May 2013 in the Cayman Islands under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, respectively. The directors of the Company consider the immediate holding company and ultimate holding company of the Group is Rainbow Path International Limited, a limited liability company incorporated in the British Virgin Islands (the "**BVI**"), and the ultimate controlling party is Mr. Liang Ronald ("**Mr. Liang**").

The Company is an investment holding company and its subsidiaries are mainly engaged in the provision of comprehensive architectural service.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2016, the Group has adopted all the amendments to HKFRSs which are effective for the financial year beginning 1 January 2016.

The application of the amendments to the HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKFRS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedger accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licencing application guidance.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 11, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$47,361,000 (2015: HK$26,485,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except for the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the directors of the Company anticipate the application of other amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue for comprehensive architectural service recognised during the year.

The Group has only one single operating segment of provision of comprehensive architectural service. The Group's chief operating decision maker (the Chief Executive Officer of the Company) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance.

The Group considers segment revenue and segment results as revenue from external customers and profit for the year before considering the effect of intangible asset recognised and fair value adjustments arising from acquisition of LWK Architecture (as defined in note 8) and the related tax effect ("**LWK Architecture Fair Value Adjustments**"). No segment information on assets and liabilities is presented as such information is not reported to the Group's chief operating decision maker.

	2016	2015
	HK$'000	*HK$'000*
Segment and consolidated revenue	**358,944**	354,799
Segment result	**20,266**	30,527
Reconciliation		
LWK Architecture Fair Value Adjustments	**–**	(3,438)
Consolidated profit for the year	**20,266**	27,089

Revenue from Major Services

The following is an analysis of the Group's revenue from its major services:

	2016	2015
	HK$'000	*HK$'000*
Architecture	**310,245**	313,901
Landscape architecture, town planning, interior design and heritage conservation	**48,699**	40,898
	358,944	354,799

Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than deferred tax assets.

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Place of domicile of group entities:				
Hong Kong	**149,207**	136,014	**26,730**	29,115
PRC	**143,920**	149,917	**11,483**	16,457
Others	**1,277**	–	**1,074**	895
Foreign location/countries (Note):				
PRC	**62,346**	66,926	**–**	–
Others	**2,194**	1,942	**–**	–
	358,944	354,799	**39,287**	46,467

Note: The amounts represent revenue generated from a group entity where its geographical location of projects are different from its place of domicile.

Information about Major Customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**37,041**	N/A[1]

[1] There is no revenue from a customer which contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income on bank deposits	**298**	607
Sundry income	**–**	71
	298	678

5. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Loss on disposal of a subsidiary	**(867)**	–
Loss on disposal/written off of property, plant and equipment	**(145)**	(39)
(Provision) reversal of allowance for doubtful debts	**(2,502)**	1,549
Written off of bad debts	**(449)**	–
Net foreign exchange loss	**(1,960)**	(1,895)
(Loss) gain from changes in fair value of held for trading investments	**(121)**	103
	(6,044)	(282)

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expense on:		
Bank overdraft and revolving loan	**3**	46
Obligations under finance leases	**29**	53
	32	99

7. PROFIT BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration (including remuneration for non-audit services)	**1,378**	1,868
Depreciation of property, plant and equipment	**7,408**	6,898
Amortisation of intangible assets (Note 1)	**293**	310
Operating lease payments (Note 2)	**24,588**	23,048
Staff costs		
– Salaries, allowances and other benefits	**215,629**	213,065
– Operating lease payments	**816**	784
– Contributions to retirements benefit schemes	**6,741**	7,359
– Equity-settled share-based payments	**4,438**	2,225
Total staff costs (including director's emoluments)	**227,624**	223,433

Notes:

(1) Included in cost of services.

(2) For the year ended 31 December 2016, the amount includes the operating lease payments for staff quarters amounting to HK$816,000 (2015: HK$784,000), which are included in the total staff costs above.

8. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**2,397**	4,657
PRC Enterprise Income Tax ("**EIT**")	**5,072**	5,032
Under(over) provision of Hong Kong Profits Tax in prior years	**324**	(1,225)
	7,793	8,464
Deferred tax:		
Current year	**(1,120)**	(633)
Attributable to change in tax rate	**(617)**	–
	(1,737)	(633)
	6,056	7,831

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to the State Council Circular on Transitional Policy of Enterprise Income Tax (Guo Fa [2007] No. 39), the income tax rate applicable to 梁黃顧設計顧問(深圳)有限公司 ("**LWK Consultancy**"), a wholly owned subsidiary of the Company, is 25% for both years.

For the year ended 31 December 2015, the income tax rate applicable to 梁黃顧建築設計(深圳)有限公司 ("**LWK Architecture**"), a non-wholly owned subsidiary of the Company, was 25%. During the year ended 31 December 2016, LWK Architecture satisfied the requirements of relevant local tax bureau authorities as a quantified enterprise in the Qianhai Shenzhen-Hong Kong Modern Service Industry Corporation Zone, and accordingly, entitled to have a preferential EIT rate of 15%.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation	**26,322**	34,920
Tax at 16.5%	**4,343**	5,762
Tax effect of expenses not deductible for tax purpose	**1,162**	866
Tax effect of income not taxable for tax purpose	**(104)**	(80)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(399)**	1,043
Effect of different tax rates of profits generated in the PRC	**757**	836
Effect of change in applicable tax rate	**(617)**	–
Tax effect of tax losses not recognised	**574**	261
Under(over) provision in prior years	**324**	(1,225)
Others	**16**	368
Income tax expense	**6,056**	7,831

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**20,745**	27,666
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**194,094,915**	181,396,014
Effect of dilutive potential ordinary shares in respect of share options outstanding	**3,870,150**	6,492,423
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**197,965,065**	187,888,437

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted in 2015 and 2016 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for both years.

10. DIVIDEND

	2016	2015
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 final dividend of HK2.0 cents (2014: Nil) per share	**3,882**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK3.0 cents (2015: final dividend in respect of the year ended 31 December 2015 of HK2.0 cents) per ordinary share, in an aggregate amount of HK$5,887,000 (2015: HK$3,872,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meetings.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$2,186,000 (2015: HK$2,000,000) on the acquisition of property, plant and equipment. In addition, the Group has disposed and written off of property, plant and equipment with carrying amount of approximately HK$145,000 (2015: HK$39,000).

12. HELD FOR TRADING INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Unlisted trading fund in the PRC	**–**	757

13. PROGRESS BILLINGS RECEIVABLE FROM CONTRACT CUSTOMERS

The Group does not have a standardised and universal credit period granted to its customers. The credit period granted to individual customer is within 90 days in general and up to 180 days, which the Group considered on a case-by-case basis, depending on the credibility and reputation of the customers and as stipulated in the project contract. The following is an aged analysis of progress billings receivable, presented based on the invoice date at the end of the reporting period, and net of allowance recognised:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**22,739**	27,577
Over 30 days and within 90 days	**18,613**	27,386
Over 90 days and within 180 days	**11,623**	6,671
Over 180 days	**47,840**	43,889
	100,815	105,523

As at 31 December 2016, included in the Group's progress billings receivable balance are debtors with aggregate carrying amount of approximately HK$69,286,000 (2015: HK$55,435,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

Aging of progress billings receivable at the end of the reporting period which are past due but not impaired:

	2016	2015
	HK$'000	*HK$'000*
Past due within 30 days	**9,961**	6,331
Past due over 30 days and within 90 days	**9,638**	18,598
Past due over 90 days and within 180 days	**5,325**	4,720
Past due over 180 days	**44,362**	25,786
	69,286	55,435

Included in progress billings receivable which are past due over 180 days with carrying amount of HK$44,362,000 (2015: HK$25,786,000), the Group has received HK$29,667,000 (2015: HK$15,528,000) from customers as security deposit for the contract works over these progress billings, which are included in accruals and other payables.

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**2,217**	1,950
Over 30 days and within 90 days	**1,077**	460
Over 90 days	**187**	1,157
	3,481	3,567

The credit period on trade payables is generally 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. OBLIGATIONS UNDER FINANCE LEASES

The Group has leased certain of its office equipment under finance leases. The lease term is 5 years (2015: 5 years).

For the year ended 31 December 2016, interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.84% (2015: 5.84%) per annum.

	Minimum lease payments at		Present value of minimum lease payments at	
	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	**313**	399	**306**	370
In more than one year but not more than two years	**–**	313	**–**	306
	313	712	**306**	676
Less: Future finance charges	**(7)**	(36)	**–**	–
Present value of lease obligations	**306**	676	**306**	676
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(306)**	(370)
Amount due for settlement after 12 months			**–**	306

The rights to the leased assets are reverted to the lessors in the event of default of the lease obligations by the Group.

16. ISSUED CAPITAL

	Number of shares	Share Capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2015, 31 December 2015 and 2016	1,000,000,000	10,000
Issued and paid up		
At 1 January 2015	180,000,000	1,800
Shares issued as consideration (Note)	9,000,000	90
Issue of shares upon exercise of share options	4,595,000	46
At 31 December 2015	193,595,000	1,936
Issue of shares upon exercise of share options	2,622,000	26
At 31 December 2016	196,217,000	1,962

Note: On 11 November 2015, the Company issued and allotted 9,000,000 shares as consideration to the vendors for the acquisition of 80.5% of issued share capital of Cfu Come Limited.

All issued shares rank pari passu in all respects with each other.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the years ended 31 December 2016 and 2015.

17. EVENT AFTER THE REPORTING PERIOD

On 24 February 2017, the Company entered into a subscription agreement with an investor in which the Company will issue, and the investor will subscribe for 79,473,780 new shares at HK$1.99 per share. In addition, the controlling shareholders have undertaken to appoint placing agent(s) to effect a placing at 22,000,000 existing ordinary shares to independent third party placees. The completion of the subscription is conditional upon the relevant regulatory approvals are obtained.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's revenue increased by 1.2% when compared with that in 2015. It secured 91 new contracts (2015: 115) and the value of the new contracts and supplementary contracts totalled approximately HK$332,181,000 in Hong Kong and the PRC. As at 31 December 2016, the Group had remaining contract sums of approximately HK$909,151,000. Architecture, contributing 86.4% of the revenue, continued to be our mainstream practice.

Our traditional sector in Architecture has remained a stable revenue generator in our Group. In this sector, Commercial Design has shown outstanding market potential with its combined capability in design and implementation. We are also pleased to see that Interior Design has recorded a remarkable growth curve.

Riding on the strong momentum over in recent years, Interior Design team has sustained a 62.2% growth in revenue. It has fulfilled rising market demands urban renovation projects especially in offices and hospitality. The team has launched a new business line of artistic consultancy, with an aim to strengthen its brand presence, and to extend revenue stream for the Group.

Besides, Commercial Design Projects have drawn in a new stream of contracts under the year over review. Its expertise in delivering one-stop services from design to implementation, and years of experience in large-scale iconic projects in major cities of the PRC, have formed a unique competitive edge in the market. Its integrated project solutions including expertise on branding and entertainment experience have been the driving factors of enlarging its customer base.

The Group maintained its market position as one of the leading comprehensive architectural service providers in Hong Kong and the PRC. The Group has been exploring possible strategies to further extend its comprehensive architectural services, as well as to identify and acquire suitable investment or business projects related to urbanisation.

FINANCIAL OVERVIEW

Revenue

2016 was a challenging year for the Group due to the economic slowdown and the property market consolidation in the PRC. The Group enhanced its business model by embarking on strategic initiatives to explore new business opportunities and further diversified the business portfolios to minimise the impact. During the year, the Group's revenue was HK$358,944,000, when compared with that of HK$354,799,000 in 2015, representing an increase of 1.2%.

Cost of services

Cost of services for the year ended 31 December 2016 amounted to HK$257,418,000, when compared with that of HK$255,359,000 in 2015, representing an increase of 0.8%. Direct labour costs and overhead costs of the Group remain stable during the year.

Gross profit and gross profit margin

The gross profit for the year ended 31 December 2016 increased by 2.1%, amounted to HK$101,526,000, when compared with that of HK$99,440,000 in 2015.

The gross profit margin of the Group for the year ended 31 December 2016 was 28.3%, a slight increase when compared with 28.0% in the previous year.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 amounted to HK$69,426,000 (2015: HK$63,032,000), representing an increase of 10.1%. The increase was attributable to the increase in staff costs in current year.

Profit for the year

The profit for the year ended 31 December 2016 was HK$20,266,000, as compared to HK$27,089,000 in the previous year, representing a decrease of 25.2%.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current assets	**332,348**	316,197
Current liabilities	**172,064**	179,698
Current ratio	**1.93**	1.76

The current ratio of the Group at 31 December 2016 was 1.93 times as compared to that of 1.76 times at 31 December 2015. It was mainly resulted from monetisation of our projects work in progress and progress billings receivable into cash.

As at 31 December 2016, the Group had total bank balances and cash and pledged bank deposits of HK$83,104,000 (2015: HK$60,662,000). The unutilised banks' facility is HK$35,560,000 (2015: HK$17,940,000) as at 31 December 2016.

As at 31 December 2016, the Group's gearing ratio is close to zero, with record high bank balances and extra banks facilities on hand, the Group's financial position is strong and healthy.

The Group's borrowings have not been hedged by any interest rate financial instruments. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

OUTLOOK

2017 will open up a brand new development stage for our group. With the business foundations laid by our diversified architectural services, we are in full gear to implement our one-stop-shop positioning to the fullest. The new co-operation opportunity we have been engaged in since 2016 will greatly sharpen our competitive edge in resource integration, financial support and project capacities, as a multi-disciplinary consultancy.

In Hong Kong market, the Group is optimistic in achieving an organic growth of new projects, since the Hong Kong government continues to take measures in keeping land supply sufficient for private housing. As for mainland China, consolidation stage in property is likely to continue. We expect to maintain a sustainable growth in architectural sectors nevertheless, given that the proportion of urban population will be up from 53.7% in 2013 to 60.0% by 2020, according to China's 13th Five-Year Plan.

The consumption upgrades and urban renewals in PRC will be strong stimulus to add projects in the pipeline. The Group foresees Interior Design and Retail Design as the main catalysts that stimulate expansion of our overall market share.

The Group will orient its focus to spearhead business expansion with our new investor and latest design innovations. We will co-operate closely with Beijing Design Group Company Limited ("**BD Group**"), a wholly-owned subsidiary of Beijing Municipal Engineering Design & Research Institute Co., Ltd. ("**BMEDI**") on a strategic basis to increase the chance of successful bids on infrastructure projects. Established in 1955, BMEDI is a wholly-owned subsidiary of Beijing Enterprise Group Company Limited. BMEDI will be our strategic partner in boosting our project volume and overall capacity domestically as well as internationally. This cooperation will enable an enrichment and diversification of our customer base, more business development, and an increase in the exchange and cooperation with domestic and overseas professionals. Starting from 2017, the Group will take steps to integrate new technology throughout our design solutions, to exploit innovations and cost-effectiveness in a 3D design environment.

"Expertise & Capital" being our dual strategy, we will be actively spotting potential of mergers and acquisitions for vertical integrations. And we will be taking a responsive approach in tapping opportunities from the "One Belt, One Road" Initiatives as well as the urbanisation development in the Asian region and beyond.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK3.0 cents per share for the year ended 31 December 2016 (2015: HK2.0 cents per share), subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**").

Information regarding the date of the AGM, the record date for the entitlement to the final dividend, and attendance of the AGM and date of closure of share register will be announced in due course.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2016. The capital of the Group only comprises of ordinary shares.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 31 December 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENT

As at 31 December 2016, the Group did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2016, the Group had no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2016 except for the disposal of LWK Consultancy which the Group recorded loss of HK$867,000, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

PLEDGE OF ASSETS

As at 31 December 2015, the Group has pledged short-term bank deposits with an aggregate carrying amount of HK$2,546,000 to banks to secure general banking facilities granted to the Group, such pledged has been released during the year ended 31 December 2016.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil).

COMMITMENTS

The contractual commitments of the Group are primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$47,361,000 (2015: HK$26,485,000) as at 31 December 2016.

As at 31 December 2016, the Group did not have any significant capital commitments (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed around 585 (2015: 550) employees.

Employees are remunerated according to nature of the job, market trend and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to our employees. Our employee benefits include Mandatory Provident Fund Schemes in Hong Kong, employee pension schemes in the PRC, medical coverage, insurance, training and development programs and options that were granted under the pre-IPO Share Option Scheme and the Share Option Scheme, both of which were approved by the shareholders of the Company on 5 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

No transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time was a Director or his connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2016.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year ended 31 December 2016, as required to be disclosed under Rule 8.10(2) of the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") in Appendix 10 of the Listing Rules. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standard of dealings and the Model Code for the year ended 31 December 2016 and the Company was not aware of any non-compliance with the required standard of dealings, the Model Code and its code of conduct regarding securities transactions by Directors.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters, the corporate governance procedure and practices and the above audited annual results of the Group for the year ended 31 December 2016; and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF 2016 ANNUAL RESULTS AND 2016 ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cchengholdings.com). The annual report of the Company for the year ended 31 December 2016 and the notice of annual general meeting of the Company will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cchengholdings.com) in due course.

By order of the Board
C Cheng Holdings Limited
Liang Ronald
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, executive Directors are Mr. Liang Ronald, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Lo Kin Nang, Mr. Ng Kwok Fai and Mr. He Xiao, and the independent non-executive Directors are Mr. Lo Wai Hung, Mr. Wang Julius and Mr. Yu Chi Hang.